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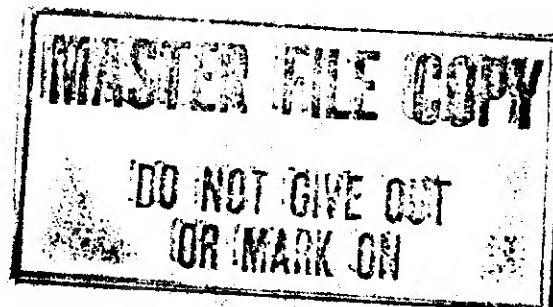
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Iran: Outlook for the Islamic Republic

Special National Intelligence Estimate



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SNIE 34-83

24 May 1983

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IRAN: OUTLOOK FOR THE ISLAMIC REPUBLIC

Information available as of 24 May 1983 was
used in the preparation of this Estimate.

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State and the Treasury.

Also Participating:

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KEY JUDGMENTS

The odds strongly favor Ayatollah Khomeini's remaining alive and active, and the clerics in power, over the next three years. Even if Khomeini were to die during this time, we would not expect a quick unraveling of the clerical regime.

Iran is committed to a *revolutionary foreign policy*, which aims at propagating its radical interpretation of Shia Islam and the establishment of fundamentalist Islamic governments throughout the Muslim world. The Iranian regime probably will remain radical and virulently anti-American over the three-year period of this Estimate. Its leaders will continue to regard the United States as the single greatest threat to the revolution and to Islam and the Muslim world generally.

In contrast to its early unguided and impulsive activities, however, Iran's radicalism is now often a part of its statecraft, used to advance specific policies both domestically and in the region. The danger to Western interests may grow, as a result, as Iran's efforts become better organized, more selective, and command the resources of the state.

Tehran will continue to focus its primary efforts on establishing dominance in the Persian Gulf through the overthrow of the Ba'th government in Iraq. Iranian prospects for a major breakthrough in the war with Iraq are slim, however, and, as a result, the war is becoming a political problem at home. We believe that continuing failures and high casualties are likely to convince Iran's leaders to lower the level of the fighting to a war of attrition while increasing subversion and terrorism against Iraq. The regime would hope thereby to erode Iraqi morale, further strain Iraq's economy, and eventually stimulate the overthrow of Iraqi President Saddam Husayn. A major Iranian campaign to hinder oil traffic from the Gulf states is likely only in response to sustained and effective Iraqi attacks on Iranian installations—a desperation move that Iraq's Gulf friends strongly discourage.

Tehran is determined to redirect the other Arab regimes in the Gulf region—especially Saudi Arabia—away from support to Iraq and cooperation with the United States, and ultimately to replace their monarchical governments with radical Islamic regimes. Publicly, Tehran will hold out the prospect of stable relations with these states, but covertly will use subversion, including terrorism, as an instrument to

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further its goals. Iran will continue to support and train dissident Muslim groups from throughout the Gulf.

Iran's ability to subvert its neighbors, however, will continue to be limited by Arab-Persian and Sunni-Shia splits. The Shia minority in Saudi Arabia will not gain power but could, along with other dissidents, contribute to an overall deterioration of Saudi internal stability. Bahrain, with its Shia majority, remains the most vulnerable Gulf target. If Iran decides to increase terrorist activities—assassinations, bombings, and so forth—the potential for destabilization will grow. We do not rule out the possibility that pro-Iranian Shias, in conjunction with other fundamentalists and radicals, could come to power in Bahrain or even Iraq but probably only after a prolonged period of unrest.

Afghanistan, a traditional Iranian sphere of influence, is another key target for exporting the revolution. Iran will continue and may increase its support to elements of the insurgency movement against the Soviets. It is not likely to alter this policy even if Pakistan should move toward some accommodation with Kabul. Although Tehran has flirted with antigovernment Shia groups in Pakistan and Turkey, Iran will probably not seriously attempt to weaken those governments because of its need for trade, communications, and transportation through those areas.

Iranian influence in the Levant is primarily exercised through an uneasy cooperation with Syria, which has permitted Iran to establish a presence in Lebanon. Iran's attempts to organize and radicalize the Shia movement in Lebanon—the country's single largest minority—possess considerable destabilizing potential.

Elsewhere, Iran's "anti-imperialism" will continue impelling the regime to maintain association with non-Muslim radical states, such as Nicaragua, and the various "national liberation fronts." If Iran's revenues grow, it may increase its financial aid to these states and groups, but direct Iranian involvement with them will probably remain limited.

Domestically, no other organization now in Iran or on the horizon can match the clerics' power, resources, or mosque-based network. Internal dissidents and the pro-Soviet Tudeh Party have been brutally repressed. None of the exiled leaders maintains a significant following in Iran. Only the military and the Revolutionary Guard have the potential to seize power, but they are internally divided, politically weak, and likely to act only if clerical factionalism gets out of hand after Khomeini dies.

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The clerics are deeply divided among themselves, and the resulting factionalism has emerged as the regime's primary weakness. The resulting divisions within the regime often hinder formulation of policy on a wide range of foreign and domestic issues. Clerics and their lay allies inside and outside the government often act independently, sometimes in direct opposition to government policy. Khomeini has helped perpetuate these rivalries by playing power centers and leaders off against each other, presumably to prevent any one from becoming too powerful.

The succession question overlays and complicates most other aspects of Iranian politics and remains the key test for the clerical regime. Khomeini appears to favor Ayatollah Montazeri as his heir but has never publicly said so. Montazeri lacks Khomeini's stature, however, and it is unlikely that a consensus on a single candidate will emerge.

Without Khomeini's overarching authority, clerical disputes and infighting may eventually become uncontrollable. Those clerics with close ties to elements in the military and the Revolutionary Guard could seek their aid in a bid for power, raising the possibility of anarchy and civil war.

The regime's ability to finance *economic development* will rest almost totally on its oil revenues. Because of the dramatic rise in Iranian oil exports, Tehran now has the financial resources to sustain its war with Iraq at present levels, to meet the minimum requirements of the population, and to begin the task of economic recovery. A major decline in oil prices or sustained and effective Iraqi attacks on Khark Island would threaten Iran's economic recovery.

Tehran will be tempted to increase production capacity of its prerevolutionary level of over 4 million barrels a day to help finance its ambitious Five-Year Plan. If Iran obtained substantial foreign participation, it could raise its production to this level within a year. An Iran capable of producing at this level could challenge OPEC's guidelines and Saudi leadership within the cartel and present even more serious economic difficulties for Saudi Arabia and the other oil-producing states.

In strategic terms the Iranian revolution has removed a major pro-Western regime and thus, on balance, has served Soviet interests more than it has harmed them. Moreover, to the extent that a revolutionary Iran pursues a destabilizing foreign policy, the Soviet Union is provided new opportunities for inroads. Despite Moscow's concern over Tehran's ongoing antileftist purges, the Soviets probably believe the revolution

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has set in motion domestic forces that can be exploited by pro-Soviet elements after Khomeini's death.

Relations between the USSR and Iran are likely to remain strained over the next three years, but we expect both countries to avoid a complete breakdown in relations. Moscow apparently has concluded that as long as Khomeini remains in power Soviet influence will be minimal. Moscow's perception of its current influence and fear that an Iranian victory over Iraq would result in the establishment of another Islamic fundamentalist regime caused the Soviets to tilt toward Baghdad in the war.

Nonetheless, the Soviets value Iran's anti-Americanism and do not want to push Iran back to the West. They consider it the most significant geopolitical prize in the region and will probe for openings to increase their influence there, perhaps even at some damage to their relations with Iraq, especially once the Iran-Iraq war is over. Moscow retains some important assets—proximity, a functioning embassy, economic advisers—with regard to Iran which provide it with means to exploit future opportunities.

Tehran, for its part, has become increasingly embittered by Moscow's supply of arms to Iraq and is convinced that Moscow seeks to subvert the clerical regime. Leaders of the Tudeh Party were arrested earlier this year, charged with spying for the USSR, and the party was banned in May. Still, Iran's proximity, need for trade and arms, and fear of the USSR will temper its hostility. Moreover, Tehran apparently views the USSR as posing less of an immediate threat to Iran, controlling fewer regional clients than the United States, commanding less economic clout, and possessing an ideology that is less attractive to the Muslim masses than is "Western materialism."

We consider the prospects for a Soviet invasion over the next three years to be low. Only in scenarios where central power in Iran breaks down or the United States intervenes does a Soviet invasion become a real possibility.

There is virtually *no prospect for improved official US relations with the clerical regime* as long as Khomeini lives. Regime antipathy to the United States runs so deep that even in the event of a Soviet invasion—which the regime would vigorously oppose—the Islamic government probably would reject US offers of aid. US forces reacting to a Soviet attack would be confronted with a hostile reaction from the regime, which could tap deeply rooted fears of great-power partition to rally many Iranians against the US forces.

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The United States has little opportunity to effectively change the direction of internal politics or to challenge clerical control. US policy objectives toward Iran will have to be pursued indirectly, through other Western nations or allies [redacted] and structured to inhibit the Soviets from attaining advantages in Iran. The regime's focus on economic development provides Western nations with a competitive economic advantage over the Soviets and their allies. This edge is unlikely to result in immediate political gain for the West.

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DISCUSSION

Political Overview

1 Iran's clerical regime has consolidated its political control over the country.

The Mujahedin-e-Khalq and other internal dissidents have been brutally decimated, the Communist Tudeh Party suppressed and its leaders arrested. The minorities, including the Kurds, have the capability to cause no more than localized difficulties. None of the exiled dissident leaders maintains a significant following in Iran. Only the military and the Revolutionary Guard have the potential to seize power, but they are internally divided, politically weak, and likely to act only if clerical factionalism gets out of hand after Khomeini dies (see inset).

Key Opposition Groups in Iran

- Mujahedin-e Khalq an Islamic-socialist-nationalist group, led by Masud Rajavi (now in exile in Paris), with a committed cadre of 10,000 at its peak; now largely depleted through regime jailings and executions
- Paykar: a Marxist-nationalist offshoot of the Mujahedin; always a small organization, it has been further depleted by regime crackdown
- Fedayeen: radical leftist, it split into two factions after the revolution: the Majority, small and virtually merged with Tudeh; and the Minority, a target of regime repression, very small, but still active among minorities.
- Tudeh pro-Soviet Communist party; has tried to associate itself with the Khomeini regime, but has been increasingly repressed over the past year and its leaders arrested; about 5,000 members.
- Iranian Kurdish Democratic Party claims to have 10,000 members but probably has much fewer; government offensives have forced Kurdish guerrillas into the mountains, where they continue hit-and-run operations

2. No other organization in Iran now or on the horizon can match the clerics' authority or resources. Their pervasive network of thousands of local religious functionaries continues to monitor popular moods and needs and to distribute required goods and services to lower class Iranians—the regime's core constituency. It provides the framework for massive internal propaganda and maintains extensive intelligence on the population. Local preachers usually serve as Khomeini's personal representatives, are prominent on local Komitehs (governing councils), and are often local judges. Their dramatically improved status gives them an important stake in maintaining the present system.

3. The Iranian revolution, however, is still unfolding. The clerics are now burdened with the sole responsibility for governing and with the challenge of assuring the viability of the Islamic Republic after the passing of its father-creator. They are split by strong philosophical differences, often couched in theological precepts, which make compromise more difficult

4. Clerical factionalism, in fact, has emerged as the regime's primary weakness. Divisions within the regime hinder efforts to formulate and implement policy on a wide range of foreign and domestic issues. Clerics inside and outside the government often act independently, sometimes in direct opposition to government policy, in both domestic and external affairs

5. Despite these serious rifts among the clerics, Iran has made much progress in returning to political stability. Since the chaotic period from the end of the revolution and to the ouster of President Bani-Sadr in June 1981, the government has become much more effective in dealing routinely with complex economic, social, and military issues.

Clerical Factionalism

The Players

6. The ruling clerical establishment appears to be divided into three broad philosophical groupings:

- Socioeconomic activists who favor extensive land reform, nationalizations, and strong central control over the economy.

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- Religious-cultural radicals who wish to implement Islamic law as Iran's penal code and to govern daily life according to strict Islamic norms, and who see it as their religious duty to "export the revolution" to other Muslim states.
- Conservative clerics who believe the role of religious leaders in secular affairs should be limited. They oppose major economic reforms and close Iranian ties to Communist and radical regimes, whether Muslim or not.¹

7. In addition to philosophical differences, the clerics are also divided by institutional, political, and personal rivalries. The Iranian theocracy contains a variety of competing power centers, only some of which are part of the government structure. The most important regime institutions—both in and out of the government—each have leaders who are key actors in an intense struggle for power after Khomeini (see figure 1).

8. Within the government, the overlapping and interlocking authority of the executive branch, the Majles (Assembly), the judiciary, and the Council of Guardians² reinforces their institutional rivalries. Khomeini himself has helped perpetuate these rivalries by playing the branches and their leaders against each other, presumably to prevent any one from becoming too powerful.

9. Outside the government there are other influential groups that must be considered part of the clerical regime. These include the quasi-official revolutionary organizations that sprang up in the chaos of the revolution: the Revolutionary Guard, the Komitehs that have acted as parallel local governments, and about 10 other revolutionary organizations (see inset). Included as well is the Qom theological circle— influential clerics in Iran's theological capital who

¹ It is much easier to characterize these divisions than it is to identify clerics associated with them.

Alliances in any event appear transitory and overlapping and even opportunistic, forming and reforming, depending on the issue.

² The Council of Guardians is composed of six clerics appointed by Khomeini and six lay jurists nominated by the Supreme Judicial Council and approved by the Majles. Their job is to ensure that bills passed by the Majles are in conformity with the constitution and the laws of Islam.

maintain links to clerics throughout the country. Moreover, Khomeini's own representatives—his personal direct links to almost all governmental, clerical, and revolutionary organizations—have direct access to him and influence his decisions.

Revolutionary Organizations in Iran

- Revolutionary Guard: defends the revolution from internal and external enemies.
- Komitehs: act as parallel local governments, ensure compliance with "Islamic norms."
- Foundation for the Oppressed: former Pahlavi Foundation, now dispenses aid to lower class Iranians.
- Revolutionary Prosecutor's Office: now confined to handling counterrevolutionary crimes.
- Martyr Foundation: provides aid to families of war casualties.
- Housing Foundation: provides housing for the "deprived."
- Reconstruction Crusade: builds/rebuilds infrastructure in rural areas.
- Islamic Propaganda Organization: internal and external oversight group.
- Literacy Crusade: active mainly in rural areas; also handles propaganda for the regime.
- Guild Affairs Committee: oversees bazaar traders and other merchants.
- Khomeini Relief Committee: uses tithes sent to Khomeini for "worthy causes."
- Foundation for Those Afflicted by the War: aids refugees.

Current Trends

10. Since the election of President Khamenei and the appointment of Prime Minister Musavi and his cabinet in late 1981, the executive branch of the government has coalesced and has become the principal advocate of moving Iran beyond its initial revolutionary stage. It has promoted centralization of authority, long-term economic planning, and more orderly formulation of Iran's foreign relations. This in large

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part is a reflection of the composition of the cabinet—most ministers are young, religious lay technocrats—only three of the 24 are clerics—and many were educated in the West.

11. Many of the cabinet's proposals, however, remain bottled up in the Majles. The Majles has a much stronger clerical representation and also deeper philosophical divisions. Factions in the Majles are often able to check each other on controversial legislation. Thus, a land reform proposal advocated by economic radicals has remained stalled in committee for nearly two years—but so has an Islamic "retribution" bill advocated by Islamic hardliners that would make strict Islamic law the penal code of the country.

12. The Council of Guardians has emerged as the most conservative official body. On those rare occasions when controversial bills have been passed by the Majles—such as the act to nationalize foreign trade—the Council of Guardians has rejected the legislation as "un-Islamic." Khomeini recently urged Majles members to consult with the Council before passing legislation.

13. Even when a controversial bill has passed all the formidable legal hurdles and gained the approval of the Council of Guardians, there is still no guarantee that it will be implemented. The Minister of Housing complained in February to Khomeini that despite the passage of a bill to utilize unused urban land to ease a severe housing shortage public institutions and banks controlling much of the land have refused to turn it over to the government. Some clerics still charge that the act is un-Islamic.

14. As part of its efforts to centralize authority, the cabinet has, since the summer of 1982, been conducting a campaign to bring the various revolutionary organizations under government supervision. Accusing them of exceeding their authority, it has proposed "constitutions" that would define and circumscribe their duties and give the government control over their finances. These proposals are being resisted, however—often publicly—by leaders of these organizations. Little progress has been made in gaining necessary Majles approval. Proposals to merge the revolutionary courts into the Justice Ministry and to redraw Iran's administrative districts in order to destroy local "feudal bailiwicks" are also stalled and publicly resisted.

15. The cabinet did obtain Majles approval last fall to form a Revolutionary Guard Ministry but still was unable to bring the force under the government's strict supervision. Protests by the Guard leadership secured amendments that maintained the organization's independent link to Khomeini. Still, the Guard's freedom of action has been constrained somewhat and its financing brought more under the control of the government. Its activities abroad are now supposed to be coordinated with the Foreign Ministry.

16. The government's inability to gain control over revolutionary organizations may have been one of the motives inspiring Khomeini's eight-point decree in December to introduce a more "humane" Islamic character to the country. Other motivations probably included:

- Stemming disaffection among the regime's lower class supporters caused by the recent failures and high casualties of the war.
- Reintegrating the middle class and technocrats whose services Iran will need to implement economic development plans.
- Encouraging the return of skilled Iranians who fled the country following the revolution.

17. The eight-point decree was intended to curb the powers of Iran's revolutionary organizations and provide the justification for removing those officials responsible for excessive zeal. "Islamic" tests for employment were abolished, and revolutionary courts restricted to trying violent regime opponents.

18. The decree almost immediately lifted morale, but so far only a few heads have rolled, including a deputy cabinet minister and Qom's revolutionary army prosecutor. The regime is already warning the population that the liberalization campaign is not to "exceed Islamic standards." Nor have Iranian exiles flooded back into the country; indeed, the easing of travel restrictions as part of the program resulted in a near stampede of people trying to leave. Still, after four years during which they were on the outside, many technocrats in the middle class probably will welcome the opportunity to return to active professional employment.

Succession and Export of the Revolution

19. Two other issues seriously divide the clerical regime—succession to Khomeini and export of the

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revolution. There is little sign that either is close to being resolved.

20 Succession. The succession question overlaps and complicates most other aspects of Iranian politics. The rivalries it produces are played out against issues that have no direct connection to succession. As various leaders jockey for position, for example, they take tactical positions for political advantage that often contradict their previous stands. President Khamenei and Majles Speaker Rafsanjani, two powerful figures in the succession struggle, publicly have alternated as hawks and doves on the war, usually in contrast with one another. (See figure 1 for leading figures in the power struggle.)

21 Ayatollah Montazeri has been presumed to be Khomeini's choice as heir, but Khomeini has never said so publicly. Khomeini has delegated some of his responsibilities to Montazeri, and Khomeini's son has endorsed him as heir. Montazeri, however, is regarded almost universally in Iran as without leadership and political ability. Because several other clerics have ambitions to succeed Khomeini and no one else among the activist clerics approaches Khomeini's stature, it is unlikely that a consensus on a single candidate will emerge. Even if one does emerge he will lack Khomeini's authority and popularity.

22. In December 1982 the clerical regime elected an 83-man Assembly of Experts whose job is to choose Khomeini's successor(s). Under the constitution, the Assembly may select either one cleric or a council of three or five clerics. The necessary machinery is thus in place. Those elected, however, mirror the lack of consensus on this issue within the clerical regime generally: all leading contenders to succeed Khomeini either were themselves elected to the Assembly or have loyal followers in it to represent their interests. The Assembly has yet to meet.

23. Assuming Khomeini maintains his silence in naming an heir, the clerics will probably quickly name a leadership council of three or five clerics after he dies. No other cleric in Iran has Khomeini's stature or unopposed authority—and hence the ability to assume automatic control.

24. The resulting coalition-style government will only mask a continuing intense struggle for power. The clerics apparently realize that they must hang together to avoid hanging separately and probably this

will ensure continued clerical control. Without Khomeini's overarching authority, however, there is a chance that their disputes could become uncontrollable. Many clerics still retain close ties to factions in the Revolutionary Guard and to individuals in the regular Army. The organizations currently act as constraints on each other, and the professional military seems less inclined than the Guard to political involvement. If splits in clerical ranks precipitated a breakdown in regime authority, ambitious leaders in both the Guard and the Army would probably attempt to align themselves with their various clerical associates in a bid for power, raising the possibilities for a descent into anarchy. That is a prescription for civil war. (See "Future Role of the Armed Forces.")

25. Export of the Revolution. All Iranian leaders espouse "export of the revolution" but disagree sharply over methods and targets. Conservatives on this issue support only those activities compatible with traditional Muslim practices, such as expanded contacts with clerics and Muslim communities abroad, including convocation of international seminars, and propagation of Islamic tracts extolling the virtues of Islam.

26. At the other extreme are clerics who believe that Khomeini's fusion of politics with Islam justifies any means to export the revolution. They have sponsored propaganda attacks on various Muslim countries, proselytizing among Muslim communities abroad, and training dissidents and mounting terrorist attacks, even against such countries as Turkey, Pakistan, and Syria, with whom the Khomeini regime is attempting officially to maintain good relations.

27 Iran's loosely orchestrated foreign policy allows both positions to be implemented. On the one level, the government claims not to interfere with the internal affairs of other states and conducts "correct" relations. On another level, both government-sanctioned and totally independent efforts are used to actively export the revolution—the failed coup attempt against Bahrain in late 1981 apparently was attempted without official government sanction. However, Iran's activities in Lebanon are largely directed and funded by Tehran. The government is currently engaged in a serious campaign to provide military training and political indoctrination to Lebanese Shias. The major problem with this two-track policy is that it is frequently inconsistent, often contradictory, and difficult to control.

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28. Many prominent hardline clerics have their own power bases and links to Khomeini. They have considerable resources with which to fund and encourage the training of Muslim dissidents outside of government-controlled channels.

The Economy

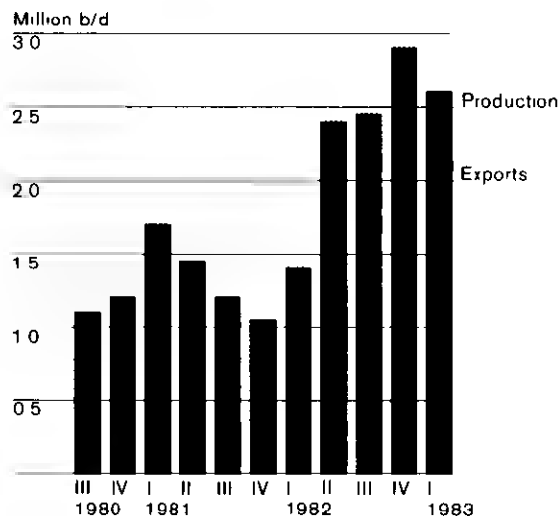
29. Tehran now has the financial resources to sustain its war with Iraq at present levels, to meet the minimum consumption requirements of the population, and to begin the task of economic recovery. This is a result of a dramatic rise in Iranian oil exports—from 700,000 barrels a day in January 1982 to 2.5 million barrels a day by the following July (see figure 2).

30. Economic conditions in general have improved significantly during the past year. Inflation has eased (down from 70 percent to an estimated 30 percent), and unemployment has fallen slightly to about 25 percent. Western observers have noted a perceptible increase in the quantities of consumer goods available. The current picture pales when compared with the economic activity under the Shah. However, Iran's economy holds much more potential than those of other Third World nations. The regime, to ensure that systemic deficiencies do not produce widespread unrest, is carefully regulating domestic consumption and trying to reorder societal demands. Propaganda and a strong measure of physical repression have been significant influences in this effort. The regime's future challenge is keeping public expectations low while better managing and more equitably dispersing improving finances.

31. The increase in revenues has eased the debate over the direction of the Iranian economy. As long as enough money is coming in to pay for imports, the government is less concerned about mechanisms to control imports—thereby removing the urgency over the issue of nationalizing foreign trade. However, the government is still exercising strict control over the importation of luxury goods.

32. The cabinet's proposed Five-Year Plan, moreover, provides a framework for official priorities and spending that appears broad enough to have gained the support of most clerics. As outlined in the plan, Tehran seeks to achieve a fairly high level of self-sufficiency in both agricultural and basic industrial

Figure 2
Iranian Crude Oil Production and Exports, by Quarter



sectors. Rural development is heralded as the focal point of the plan, but extensive industrial development is also included, particularly in petroleum, metallurgy, and electric power. The government currently anticipates spending \$14 billion this year on development; probably the bulk of whatever is actually spent will be on industrial development.

33. The regime's ability to finance expensive development plans will continue to rest almost totally on its oil revenues. Following the OPEC accord in March, Iran agreed to reduce its production by 20 percent to 2.4 million b/d. This decrease, along with the decline in oil prices, has dropped Iranian oil earnings to \$1.6 billion a month, \$500 million less than before the accord. These revenues are adequate to support continuation of the war at present levels and a modest increase in economic activity, but probably are not sufficient to finance the expensive development objectives outlined in the Five-Year Plan.

34. Tehran is likely over the near term to abide by OPEC production guidelines. The Iranians probably recognize the risks of a downward price spiral if OPEC members fail to adhere to the agreement. The

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regime will, in fact, be hard pressed to maintain even this reduced level of production unless it offers further discounts—a move we consider likely. Should oil prices drop below \$20 per barrel Iran will have great difficulty sustaining both the war effort and its economic programs.

35. Iran plans to increase production capacity over the longer term to 4 million barrels per day. Such expansion would help finance economic development and increase Iran's political weight in OPEC vis-a-vis the Saudis. [] we estimate that, with substantial foreign participation, such a program could be completed within a year. An Iran capable of producing at this level could pose a threat to the stability of world oil prices, especially in a weak oil market. By underselling, Tehran could divert oil income away from Saudi Arabia and other Persian Gulf states, exacerbating their economic difficulties by increasing their already significant revenue shortfalls. Although Tehran would be unlikely to follow such a course because the consequences are too unpredictable, just the knowledge that Tehran possesses such a capability would increase Iran's leverage in OPEC.

36. All of Iran's plans, however, could be upset by sustained Iraqi attacks on oil installations on Khark Island through which Iran exports 90 percent of its oil or tankers visiting Khark. Tehran's current official reserves provide a cushion of only about nine months' imports. We consider sustained and successful Iraqi attacks unlikely as long as Iraq is not forced to act out of desperation (see following section).

The Iran-Iraq War

37. The war has not gone well for the Iranians since their failed offensive east of the Iraqi city of Al Basrah in July 1982. Prospects for a major Iranian breakthrough remain slim because of Iraq's improving battlefield performance, strong defensive fortifications, and fundamental Iranian disadvantages in command and control and in materiel.

38. The war at present levels is becoming a political problem at home. As long as Iran was fighting on its own soil—and winning—the war rallied the population. But, since July 1982, [] have noted a growing war weariness and disgruntlement at casualties even among the lower classes—who have been the greatest supporters of the

regime but have borne the human cost of Iran's human wave tactics. Morale in the military is reportedly declining as well.

39. We believe Iran ultimately will lower the fighting to a war of attrition while increasing subversion against Iraq, hoping to erode Iraqi morale, further strain Iraq's economy, and eventually stimulate the overthrow of President Saddam Husayn. This change would require Khomeini's approval. [] suggest he remains committed to the present strategy of large infantry assaults, but he has been persuaded to change course before—especially when approached with a strong consensus among the clerics.

40. A strategy of lowering the level of fighting to a border war of attrition—hence reducing casualties—would maintain military and economic pressure on Iraq while reducing the risk of a popular backlash at home. Such a strategy would be accompanied by a propaganda campaign aimed at inciting the Shia majority in Iraq to overthrow the predominantly Sunni regime, and by increased support to Shia and Kurdish dissidents involved in terrorism against Baghdad.

41. Khomeini's personal hatred of Saddam makes serious peace negotiations unlikely. Even if Khomeini were to die while the war continues, initial confusion and the need to carry on his legacy would impede Iranian leaders from moving quickly into negotiations with Baghdad. The clerics realize, moreover, that negotiations with a regime Iran has sworn to topple would be perceived in Iran and throughout the region as a tacit Iranian admission of failure.

42. If Baghdad were to become increasingly desperate as a war of attrition dragged on, it might seek to involve major powers directly in the struggle. It could do so, for example, by redoubling its attacks on Iranian oil facilities. Tehran has threatened that, if its oil exports were cut off as a result, it would cut off all other Persian Gulf exports (see figure 3). That would almost immediately bring in major Western powers—and, Baghdad would hope, tremendous pressure to end the war.

43. Iran has the capability to temporarily interrupt oil exports out of the Gulf, and Iraq's neighbors take Tehran's threat seriously. They will probably do as much as they can to bolster Iraq and discourage such desperation moves.

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Figure 3
Persian Gulf Oilfields Vulnerable to Iranian Airstrike



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Future Role of the Armed Forces

44. We believe that the professional services and the Revolutionary Guard will for the period of this Estimate remain distinct organizations fulfilling different missions. Extensive purges have reshaped the professional services, and clerical control has been tightened through the installation of loyal officers and an extensive system of informers.

45. The Revolutionary Guard will continue to serve as the regime's principal guarantor of internal security. It has become involved in more regular military activity as a result of the war, and some of its leaders reportedly intend for this to continue after the war ends. Thus the Guard is likely to retain at least some of its military structure and activity, but parallel to, and not as a replacement for, the professional services.

46. Iranian military personnel who flee Iran continue to report that although some officers remain opposed to the regime they are unable to form effective organized opposition. Most enlisted personnel, moreover, are drawn from the lower classes—the regime's key support group—making it unlikely they would follow commands to move against Tehran so long as Khomeini lives.

47. A political role for both the Guard and the regular military is most likely if, after Khomeini dies, the clerics cannot contain their infighting and appeal for military allies. We believe there are ambitious men in both forces who would be willing to manipulate such appeals to enhance their own power. Neither organization currently is unified enough internally to move as a bloc behind a single contender

Foreign Policy

48. Common threads of Iranian foreign policy have emerged four years after the revolution and are likely to continue through the next three years:

- Iran remains committed to a revolutionary foreign policy—including the use of subversion and terror—that aims at propagating its interpretation of Shia Islam and the establishment of fundamentalist Islamic governments throughout the Muslim world.
- Traditional Iranian aspirations in the Persian Gulf, now reinforced by the clerical regime's

religious zeal, impel Iran to seek regional hegemony. Tehran will also seek broader avenues to demonstrate its Islamic credentials, as it is doing now in Lebanon and Afghanistan.

- Anti-Americanism will remain the hallmark of Iran's foreign policy. The United States will remain in Iranian eyes the single greatest threat to the revolution, Islamic values, and the Muslim world (see "Implications for the United States").
- The clerical regime also will remain deeply suspicious of the USSR. Bilateral ties will remain strained, but neither side is likely to push relations to the breaking point (see "The Soviet Factor").

Ideological Roots

49. Since the fall of the Shah in 1979 and the accession of Ayatollah Khomeini, Iran has trumpeted the political significance of its Islamic revolution—not only for its Muslim neighbors, but for the world. The Iranian revolution has brought into being the first revolutionary state in modern times to be founded on rigidly Islamic principles. Unlike our experience with a variety of Marxist revolutions, we have little precedent to go on in assessing the likely course of behavior of the new Iranian Islamic Republic.

50. The most dramatic shift in Iran's foreign policy from the Shah's era to Khomeini lies in the religious and ideological convictions of the new regime. The Shah stood for a pro-Western, anti-Communist status quo in the region, designed to preserve and project Iranian national power. Khomeini's Islamic republic espouses a new Shia-based ideology representing a major departure from the Shah's policies in several key respects:

- The universal significance of Iran's revolution. In the Ayatollah's view, the revolution is not simply designed to bring reform to Iran, but is to create a state to be administered under fundamental principles of Islam of timeless validity for all countries that aspire to an Islamic way of life.
- Support for the oppressed of the Third World. Shia Islam emphasizes support for the meek against oppression from secular authority. Khomeini's movement against the Shah attacked the

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economic hardship, corruption, cultural alienation, excessive privilege, and secularism that he associated with the Shah's rule. Iran now calls for the protection of all Muslims—and even non-Muslims—from those who would corrupt them, oppress them, or steal their resources and patrimony.

The American enemy. The Iranian regime staunchly proclaims a policy of "neither East nor West," rejecting both superpowers as models or reliable allies for the Islamic Republic. Yet the anti-American themes predominate, springing from several impulses, including American support for Israel, Iran's perception of the United States as supporting reactionary and un-Islamic regimes hostile to Iran throughout the area, and American "cultural imperialism." The fundamentalists perceive the United States to be a persistently corrosive force upon the Islamic way of life.

- Revolution as a means of propagating the Islamic state. Khomeini believes in the positive obligation of Muslims to establish Islamic states throughout the Muslim world. The Iranian revolution can serve as a successful model to others on how to overthrow corrupt and un-Islamic regimes. This emphasis on revolution has caused it to establish contact with a variety of other revolutionary movements in the Third World—particularly where it perceives common cause in opposing US influence.

51. The dramatic shift from a staunchly pro-Western state to the strident anti-Americanism of the mullahs nonetheless obscures several areas of underlying continuity in Iran's foreign policy which seem to reflect persistent Iranian geopolitical interests from the time of the Shah:

- Hostility toward Iraq as Iran's key rival to political and military preeminence in the Persian Gulf region.
- A desire to dominate the small Gulf states.
- A sense of contempt and rivalry toward Saudi Arabia.
- A need for good relations with non-Arab Turkey and Pakistan.

- Traditional suspicion of Russian expansionist ambitions toward Iran, despite the need to maintain pragmatic and correct relations with the USSR.
- A desire to exercise political dominance over Afghanistan and deny Soviet influence there.

It is not always possible to determine whether the ideological or the pragmatic impulse dominates Iranian actions; these two factors are often intertwined. Iran's willingness to purchase arms from Israel reflects its pragmatic impulse, for example, while Tehran's effort to expel Israel from the UN suggests the ideological imperative.

Iran's Targets

52. *The Persian Gulf.* Tehran's immediate target remains Iraq, its traditional rival for regional preeminence. The regime also seeks to redirect the other Arab regimes in the Gulf region away from support to Iraq, and from cooperation with the United States, toward accommodation with Iran. The government will most likely continue to pursue this objective with a carrot-and-stick approach: it will hold out the prospect of stable relations if these states accommodate Iranian interests while threatening dire consequences if its appeals are ignored.

53. The government is expanding radio and television broadcast facilities to beam propaganda abroad. The Ministry of Islamic Guidance has established a special international propaganda section, and a separate Islamic Propaganda Office also has been opened in Qom. More than 160 students have taken intensive language instruction in English and Arabic at the Qom office and are to be sent abroad, working either as "representatives of the Imam" or as cultural attaches in various Iranian embassies.

54. Officially, Tehran will practice traditional diplomacy with its Gulf Arab neighbors. Unofficially, however, it will use the daily barrage of propaganda and continue training dissidents. Bahrain, the only lower Gulf Arab state with a Shia majority, will remain the most vulnerable to Iranian-inspired subversion or a coup. Sixty-five percent of its population are Shias, many of whom already believe they are not permitted to participate fully in country's political, social, and economic life.

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55. The Iranians are also likely to concentrate on Saudi Arabia because of Riyadh's close US ties, its rival claims to leadership in both OPEC and the Islamic world, and its sizable Shia community, which constitutes a majority of the population in the oil-producing Eastern Province (see figure 4). We believe the Saudi Shias will not be able to take power in the Kingdom but could, along with other dissidents, contribute to an overall deterioration of Saudi internal stability.

56. Iran will continue to challenge Saudi policies in OPEC and portray the Saudi rulers as US puppets unqualified to claim Islamic leadership. It will continue attempts to stir Saudi Shias against the regime. Iran also will continue its calls for international Muslim control over Mecca and Medina. The annual *hajj*—pilgrimage to Mecca—will provide Iranians entry into the Kingdom in large numbers (75,000 Iranians went in 1982), which they will exploit to disrupt, demonstrate, and spread propaganda.

57. Tehran will try to exploit any increase in discontent among Gulf Arabs, but we believe the governments in these countries will be able to contain the threat over the three-year period of this Estimate. The native Sunni populations of these states do not want pro-Iranian Shia regimes to rule over them. Even those who may have once been attracted to Iran's Islamic revolution have reportedly been disillusioned by the excesses of the Tehran regime. The Shia community in Bahrain is ethnically and socially divided.

We do not rule out the possibility that pro-Iranian Shias, in conjunction with other fundamentalists and radicals, could come to power in Bahrain or even Iraq but probably only after a prolonged period of unrest.

58. An Iranian military invasion of the Arabian Peninsula is unlikely. Iran does not have the naval or air capability to sustain such an operation. More limited moves the Iranians could take across the Gulf

include commando attacks or isolated air raids. Commando attacks have the advantage of deniability. The Iranians have already conducted air raids on Kuwait to demonstrate their pique over Kuwaiti support for Iraq and could choose to do so again at any time.

59. **Lebanon.** Lebanon provides the Iranians fertile grounds to pursue several objectives at minimal expense. The regime can demonstrate its active commitment to the fight against Israel and the United States, and for the rights of Muslims and Palestinians—all in contrast to the inactivity of most Arab states. It also provides Iranian entree to conduct propaganda among Lebanese Shias and to recruit and train them in guerrilla war tactics.

60. There are currently in Lebanon, at Syrian tolerance, several hundred members of the Iranian Revolutionary Guard, centered in the vicinity of Baalbek, providing training and political indoctrination for Lebanese Shias. The Guard's followers appear responsible for such acts as the kidnaping of the President of the American University in Beirut and attacks on the multinational force. Such incidents can only further destabilize the situation in Lebanon and greatly complicate US efforts to arrange a settlement. All of these aims, moreover, can be pursued at relatively little cost for Tehran.

61. **Afghanistan.** Tehran is adamantly opposed to the Soviet presence in Afghanistan and does not recognize the Babrak government. Iran supports primarily Shia insurgent groups, providing training, limited arms, and propaganda facilities. There is broad consensus among Iran's ruling clerics and their lay allies to continue this support. Indeed, when the Iran-Iraq war winds down, the Iranians are likely to increase their support to the Afghan insurgents.

62. **Turkey and Pakistan.** Economic necessity and the pragmatic need to avoid complete diplomatic isolation in the region has impelled Iran to seek good relations with Turkey—the first Muslim state to abandon Islam as a state religion and embrace secularism—and Pakistan, despite both countries' close ties to the United States. Islamic hardliners, however, continue to support dissidents from both countries. The Iranian consul in Karachi was recently sent home after stirring Shia unrest against the Sunnis there—apparently at his own initiative.

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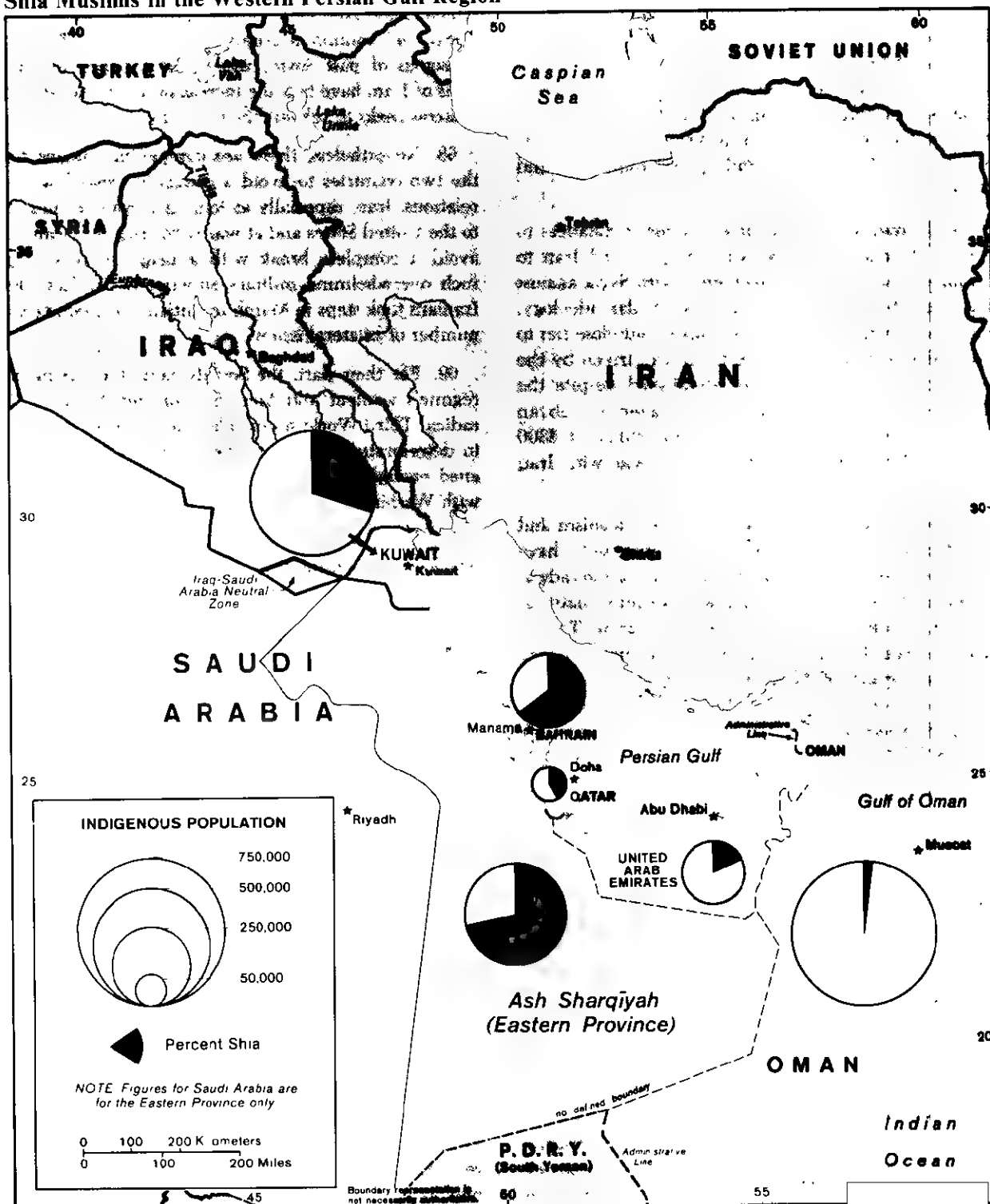
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Figure 4
Shia Muslims in the Western Persian Gulf Region



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63. *Elsewhere*, [redacted] indicate Iranian subversive activity scattered throughout the Middle East and beyond [redacted]

turbed by its outspoken Islamic fundamentalism, which potentially could attract adherents among the USSR's 43 million Muslims. The clerics in Tehran, conscious of past Soviet and tsarist military occupations of Iran, have become increasingly convinced that Moscow seeks to subvert their regime.

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68. Nevertheless, there are compelling reasons for the two countries to avoid a complete breakdown in relations. Iran, especially as long as it remains hostile to the United States and at war with Iraq, will want to avoid a complete break with a neighbor possessing such overwhelming military superiority. In fact, the Iranians took steps in March to initiate a dialogue on a number of bilateral issues.

64. Tehran has forged some pragmatic alliances to further its goals. The war with Iraq has led Iran to arrange a marriage of convenience with Syria against Iraq despite the Syrian regime's secular ideology, repression of Islamic fundamentalists, and close ties to the USSR. Tehran's close ties to Libya, driven by the need for war materiel, were established despite the disappearance of a revered Shia leader at Libyan hands. Tripoli has provided Iran an estimated \$300 million of material support since the war with Iraq began.

69. For their part, the Soviets value the Khomeini regime's virulent anti-Americanism and its ties with radical Third World states. They do not want relations to deteriorate to a point where Tehran feels threatened enough to seek substantially improved relations with Washington.

65. At the same time, Iran's anti-Americanism and its ideological attachment to "the oppressed" have impelled it toward association with non-Islamic radical states, such as Nicaragua, and with various "national liberation fronts." If Iran's oil revenues grow, Tehran may increase its financial aid to these groups as a way to expand its influence and prestige in the Nonaligned Movement and other international arenas, especially at the expense of moderate Muslim regimes and the United States.

70. Iran's drive to export its revolution serves many but not all Soviet interests in the region. To the extent that a revolutionary Iran unsettles the status quo in the Middle East, the Soviet Union is provided new opportunities for inroads, even when not agreeing with specific Iranian goals. In the past the USSR has described the Iranian revolution as "objectively progressive" in that it removed a major pro-Western regime and, on balance, Iran may actually—but unintentionally—serve Soviet interests more than it harms them in the next few years. Specifically, Moscow welcomes Iran's efforts to destabilize pro-US states like Saudi Arabia, the Gulf states, and Lebanon and encourages Tehran's cooperation with pro-Soviet states like Syria and Libya. The Soviets also benefit from Iran's assistance to radical regimes like Nicaragua.

66. Although such aid is not likely to be very large, even small amounts—several million dollars—could boost the capabilities of these groups. Guerrilla groups in Central America, Africa, and Asia may increasingly look to Tehran as a source of aid and support. Increased oil revenues would also allow Tehran to step up its aid to dissidents in the Persian Gulf and the insurgents in Afghanistan.

71. Iran's strident Islamic fundamentalism, however, can impact adversely on the Soviet interests in the Middle East. Iran has opposed the Soviet invasion of Afghanistan and has aided the Afghan resistance movement. Moscow also recognizes the danger represented by Iran's effort to carry the Gulf war into Iraq and to topple Saddam Husayn. Moreover, the Soviets probably are cognizant of the fact that if an Islamic revolution should occur elsewhere in the region, the new regime could easily adopt anti-Soviet policies. Finally, the Soviets also worry that Iran's aggressive

The Soviet Factor

67. Barring substantial changes in the direction and policies of the Iranian regime, relations between the USSR and Iran are likely to remain strained over the next three years. The Soviets have expressed frustration with Tehran's increasingly outspoken anti-Sovietism, its support for Afghan rebels, and its suppression of the Communist Tudeh Party, and they are dis-

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policies serve to push some Gulf states closer to the United States as was the case when the Saudis requested US AWACS support at the start of the Iran-Iraq war and the Gulf Cooperation Council assumed a stronger pro-Western defensive posture.

72. Despite Moscow's concern over Tehran's ongoing antileftist purges and deteriorating bilateral relations, the Soviets probably still believe the revolution has set in motion domestic forces that can be exploited by pro-Soviet elements after Khomeini's death. The Soviets are well aware that whatever their own weaknesses in Iran they retain assets—a functioning embassy, economic advisers and trade, proximity—vis-a-vis Iran that the US lacks.

Bilateral Ties

73. Soviet-Iranian relations currently are at their lowest level since the Islamic revolution in 1979. Open polemics between the two have become standard fare. The Khomeini regime has arrested leaders of the Tudeh on charges of spying for the KGB, closed the offices of a variety of Soviet organizations in Iran, and harassed the Soviet Embassy in Tehran. The Kremlin has swung its support in the war to Iraq and has become less concerned about Tehran's reaction to Soviet operations against Afghan insurgents near the Iranian border.

74. The Soviets apparently have become convinced that as long as Khomeini remains in power Soviet influence in Iran will be minimal. This changed Soviet perception, plus Iran's threat to take the war into Iraq, convinced Moscow in the spring and summer of 1982 to tilt toward Baghdad. The Kremlin signed a major arms deal with Baghdad in April 1982—the first since before the war—and began openly to criticize Iran for continuing the war.

75. Nonetheless, the Soviets—who view Iran as the major geopolitical prize in the region, will probe for openings to increase their influence in Iran, perhaps even at some expense to their relations with Iraq. Moscow will use its willingness to sell arms to Tehran to attenuate the effects of its tilt toward Baghdad. Since the Soviet embargo on arms deliveries to Iraq and Iran was lifted in the spring of 1981, Tehran has received more than \$200 million in small arms and spare parts from the USSR. Most of these arms were

contracted for under the Shah, but the Khomeini government also has signed a few minor deals.

76. Tehran's reluctance to deal with the Soviets directly on a major scale and its limited ability to secure Western arms has required it to purchase Soviet-style weaponry from third parties—primarily North Korea, Libya, Syria, and a few East European countries (over \$1.5 billion worth since late 1980). This approach is potentially beneficial to Moscow because it may encourage Iran to purchase indirectly major Soviet-built items with potential political benefits. Iran attempted to purchase MIG-23s from Libya in early 1983.

77. Iran under Khomeini has become more dependent on Soviet and East European trade and transit routes, but this has not led to significant Soviet political leverage. Bilateral economic trade, after growing to a record \$11 billion in 1981, declined slightly in 1982 to about \$1 billion—close to the prerevolutionary average. Iran's trade with Eastern Europe has doubled over the prerevolutionary level. There has been no perceptible change in the numbers of Soviet economic advisers in Iran—approximately 2,000. Soviets continue to work on some 55 economic and technical projects in Iran, but no major new projects have been initiated.

78. Barter deals with the USSR and Western Europe for industrial raw materials, machinery, and equipment will continue to be attractive for Iran. This is especially true as long as the war continues and the upper Persian Gulf ports remain closed. Tehran's improved financial position and continuing effort to diversify its trade relationships, however, probably will diminish the importance to Iran of trade with the USSR and Eastern Europe. In addition, the ability of Communist nations to boost trade with Iran is constrained by their limited capacity to supply the food, sophisticated equipment, and oil technology that Iran wants.

Covert Activity

79. Iran is and will continue to be a major target of Soviet espionage and covert political activity. In spite of the poor state of relations, the Soviets maintain a large diplomatic presence. The USSR maintains about 400 accredited diplomats, attaches, and trade repre-

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sentatives in Iran. We believe that a substantial number of the Soviets in Iran also have intelligence responsibilities.

grip on Afghanistan sufficiently to use it as a major base to exploit opportunities in Iran. Over the longer term, however, the Soviet presence in Afghanistan could represent an additional point of leverage against Iran.

The Role of Tudeh

84. With its leaders stigmatized as spies for the "number-two Satan" and officially banned, the Tudeh will be increasingly ineffective. Khomeini's crackdown has crippled the Tudeh Party. Even before General Secretary Kianuri and some 30 other Tudeh members were arrested on charges of spying for the KGB on 6 February, regime harassment had curtailed the party's ability to operate. The Soviets recognize the Tudeh's serious weaknesses.

the party as essentially moribund, on the defensive, and unlikely to have any influence on domestic politics for years to come.

85. The Soviets have protested the arrests to the Iranians and the National Voice of Iran, broadcast from Baku, has called for Iranian workers to "rise in protest." Even if, as is likely, Kianuri is executed, however, it is unlikely that Moscow will make an open break with Tehran over the issue. If the Tudeh is driven underground, the USSR will continue to provide it with financial and other support with the hope that one day it will be able to exploit a change of regime in Tehran.

Military Presence

86. The presence of substantial Soviet military forces near Iran's northern and eastern borders is a major asset that gives the USSR the capability to intervene and to influence US policy decisions about Iran.⁴ Moscow

⁴ In addition to the equivalent of six divisions in Afghanistan, the Soviets have 24 divisions—only five of which are maintained at full strength—in the three military districts north of Iran. A full-scale invasion of Iran would require some 20 Soviet divisions and at least a month of preparation. Alternatively, an invasion with a limited objective such as Azarbayjan could be launched by about five to seven divisions after two to three weeks of preparation.

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refuses to recognize Iran's annulment of articles 5 and 6 of the 1921 Soviet-Iranian friendship treaty. These articles grant the USSR the right to send troops to Iran in certain circumstances, including intervention by a third party. The Soviets want to retain this legal basis for direct intervention.

87. The proximity of Soviet forces to Iranian borders, Moscow's refusal to annul articles 5 and 6 of the treaty, and the Soviet occupation of Afghanistan fuel Tehran's traditional distrust of the USSR. The Soviet military presence may work to limit the extent of Iran's anti-Soviet activity, but short of an actual threat by Moscow to intervene, it is unlikely to induce modifications in the Khomeini regime's basic policies.

88. If, after Khomeini's death, clerical splits arise and Iran is engulfed in a power struggle, the Soviets undoubtedly would—at a minimum—attempt to manipulate the situation to their advantage. They would assess the composition of, and balance of forces within, the new leadership. If Moscow perceived the new leaders shared Khomeini's inalterable hostility toward the United States and were resistant to Western influence, it would try to work with them by issuing signals that the USSR is interested in improving relations. If this approach produced a positive Iranian response, the Soviets would probably pursue a strategy of attempting to increase their influence by improving government-to-government relations.

89. Should the new Iranian leaders prove more amenable to Western influence or, on the other hand, should central power in Iran begin to break down, Moscow almost certainly would adopt a more manipulative strategy. For example, the Soviets could exert pressure on the central government by increasing support to the minorities or attempting to maneuver whatever assets they have into positions of influence in Tehran. Such a strategy faces considerable difficulties. The minorities have only limited impact on events in Tehran. The Tudeh Party had very little political influence under the clerical regime and, now that the party is banned, it will have virtually none. Almost all the clerics are hostile to the USSR, and we doubt that the military has been penetrated by the Soviets to any significant degree. Nevertheless, the more turmoil Iran experiences, the greater would be Moscow's effort to identify, manipulate, and even form groups to foster Soviet objectives.

90. Although the Soviets have been improving their capabilities to undertake military operations in Iran, an invasion is highly unlikely over the next three years. The possibility of Soviet military intervention would increase, however, if:

- Moscow perceived that the United States was itself preparing to intervene.
- Or, full-scale civil war erupted and Iran began to fragment.
- Or, a leftist coalition seized power and appealed for the USSR's help.

The Kremlin today probably would expect the United States to respond with force to a Soviet invasion of Iran, but Moscow would be less constrained if it came to believe that Washington was no longer committed to the Carter doctrine.

Implications for US Policy

91. Continuing clerical control during the three-year period of this Estimate has important implications for US policy toward Iran and for US interests in the Persian Gulf region. There is virtually no prospect for improved official US relations with the clerical regime as long as Khomeini lives. However, this situation will not prevent the Iranian Government from entering into limited commercial relations with the United States and eventually longer term commercial contracts with US firms.

92. Iranian subversive activities in the region—in Lebanon, against the moderate Arab regimes along the Persian Gulf, and elsewhere—are intended as direct threats to US interests. Iranian activity in Lebanon is already complicating US peace efforts there. Although we expect moderate Arab regimes to be able to withstand Iranian subversion over the next three years, an increase in Iranian-supported terrorist activities—assassinating senior members of the Saudi royal family, for example—would raise the potential for destabilization. If, as a result of the Iran-Iraq war, the Gulf were closed to oil exports—a move we consider unlikely—the United States would be expected to take decisive, remedial action.

93. Regime antipathy toward the United States runs so deep that even in the event of a Soviet invasion of

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Iran—which the regime would vigorously oppose—Tehran would be likely to reject US offers of aid. In fact, the Iranians would probably see the US and Soviet actions as a superpower “plot” to divide Iran. Thus, US forces reacting to a Soviet attack could be confronted with a hostile Iran.

94. Because the US-Iranian relationship will remain adversarial, US policy objectives toward Iran will have to be pursued indirectly through other Western nations or allies [redacted] The United States has little opportunity to effectively change the direction of internal politics or to challenge clerical control. It does have some means, however, to inhibit the Soviets from attaining military and economic advantages in Iran.

95. Iran’s purchases of military equipment, ammunition, and spare parts for the war have been based on availability—which, as a result of the Western embargo, has meant a drift toward Soviet-style equipment. With its war effort stymied, Tehran may now accelerate its search for major equipment to redress the balance with Iraq. If Iran decides to rebuild its still largely US-supplied conventional forces, Washington will be confronted with the arms resupply issue.

96. The regime’s focus on long-term economic development provides another area to deny Soviet advantage. In many fields, Western nations have a competitive advantage over the East. Although exploiting that advantage is unlikely to result in immediate political gain for the West, it would limit further Soviet inroads.

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ANNEX

REEQUIPPING IRAN'S MILITARY

Throughout its war with Iraq, Iran has been forced to obtain arms from almost any source willing to sell. The infantry-style warfare, however, has limited its needs to mostly small arms, spare parts, and ammunition rather than major equipment (see table). It also

has permitted the Iranians to retain their policy of independence from both superpowers and has been consistent with the limited financial resources available to Tehran during much of the war.

We believe that Iran's most likely course in the war will be to lower the level of fighting to a war of attrition. If so, Iran will need continue only its present pattern of purchases. Most of Iran's present suppliers—North Korea, Libya, Syria, Eastern Europe, and the West European black market—will probably be retained in the future. Iran thus far has obtained predominantly Soviet-style arms because of their availability from North Korea and Libya, but this may change if the West relaxes its selling restrictions.

Iran would face an enormous task if it chose to rebuild its conventional forces as a complement to a war of attrition. Restoring Iran's still sizable stockpile of unserviceable equipment probably would be Tehran's highest priority. Even such a limited rearmament program probably could not be completed during the term of this Estimate. Moreover, Iran would be forced to relinquish its cherished independence from East or West to obtain large numbers of major items. In fact, Tehran would be hard pressed simply to satisfy the military's logistic requirements.

All services are in dire condition and improvements will occur only gradually. For example, if Iran were given unrestricted access to parts for its US-equipped Air Force, it could, within months, double its fleet of fully operational aircraft from about 75 to 150, but the remaining 110 fighters would require at least \$500 million in additional supplies and foreign expertise to return to operational status.

Even if the West relents in the embargo, Iran's earnest desire to diversify its sources will ensure that a large portion of its arms come from non-Western suppliers of Soviet-model arms. The Soviets themselves are not likely soon to have a direct arms supply

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relationship with Iran. The limited arms relationship between the two reflects Iranian misgivings about the Soviets that have been exacerbated by current strains. Over time, Iran may eventually seek to obtain from

the Soviets what remains of the more than \$2 billion in Soviet arms purchased by the Shah. However, Iran will be careful not to expose itself to the vulnerabilities of overdependence on Moscow.

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